

CITY OF OSKALOOSA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

CITY OF OSKALOOSA

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CITY OF OSKALOOSA

OFFICIALS

June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Krutzfeldt.	Mayor.	Jan 2016
Tom Jimenez	Council Member.....	Jan 2016
Aaron Ver Steeg.....	Council Member.....	Jan 2018
Doug Yates.....	Council Member.....	Jan 2018
Scottie Moore.....	Council Member.....	Jan 2018
Tom Walling.	Council Member.....	Jan 2018
Jason Van Zetten.	Council Member.....	Jan 2016
Joe Caligiuri.....	Council Member.....	Jan 2016
Michael Schrock, Jr.	City Manager	Indefinite
Amy Miller.....	City Clerk - Finance Director.....	Indefinite
David Dixon.....	City Attorney.	Indefinite
Akhilesh Pal.....	Public Works Director	
Vacant.	Waste Water Director	
Mark Neff.....	Fire Chief	
John McGee.....	Police Chief	
William Ottens.....	Library Director	



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

The financial statements referred to above include only the primary government of the City of Oskaloosa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the financial statements do not purport to and do not present fairly, respective cash basis financial position for the year ended as of June 30, 2014, and respective changes in cash basis financial position of the City of Oskaloosa, in conformity with the basis of accounting described in Note 1. A separate audit report is issued by the respective component unit.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Oskaloosa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those primary government financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 14 and 38 through 40 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2014 on our consideration of the City of Oskaloosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Oskaloosa's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is an honor to present to you the financial activities of the primary government of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the primary government of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The cash and investments of the City at the close of the most recent fiscal year are \$10,812,990 compared to \$10,566,761 as of June 30, 2013.
- The government's total cash and investments increased by \$246,229.
- The City's total long-term debt, excluding compensated absences, decreased by approximately \$1,202,000 during the fiscal year ended June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa's primary government financial statements and provides an analytical overview of the City's financial activities. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements - The government-wide financial statement is designed to provide readers with a broad overview of the City's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business type activities of the City include the sewer, airport, Edmundson Golf Course, storm water and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City. (See Note 1.B)

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains numerous governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statement. The City maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund and Storm Water Fund, as these funds are considered to be major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non major enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains three internal service funds.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary information provides the combining schedules referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds and capital projects and schedules of the City's indebtedness.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2014 and 2013.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash and investment balance for governmental activities increased from a year ago from \$7.8 million to \$8.0 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities increased by approximately 4.4 percent or approximately \$.40 million. The total disbursements of governmental activities programs and services decreased by approximately \$.28 million or approximately 2.92 percent. The increase in receipts was primarily the result of additional court fines and local option sales tax receipts received. The decrease in disbursements was primarily the result of decreased capital project payments.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2014

	Governmental Activities 2014	Business Type Activities 2014	Total 2014
Receipts:			
Program receipts:			
Charges for service	\$ 651	\$ 2,020	\$ 2,671
Operating grants, contributions and restricted interest	1,532	538	2,070
Capital grants, contributions and restricted interest	65	137	202
General receipts:			
Property taxes	4,630	-	4,630
Other taxes	1,685	-	1,685
Investment earnings	71	3	74
Other general receipts	968	20	988
Total receipts	<u>9,602</u>	<u>2,718</u>	<u>12,320</u>
Disbursements:			
Public safety	2,803	-	2,803
Public works	1,288	-	1,288
Culture and recreation	1,034	-	1,034
Community and economic development	1,162	-	1,162
General government	900	-	900
Debt service	936	-	936
Capital projects	1,250	-	1,250
Sewer	-	2,233	2,233
Airport	-	335	335
Edmundson Golf Course	-	12	12
Storm water	-	121	121
Total disbursements	<u>9,373</u>	<u>2,701</u>	<u>12,074</u>
Change in cash and investment balances before transfers	229	17	246
Transfers, net	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash and investment balances	229	17	246
Cash and investment balances, beginning	<u>7,784</u>	<u>2,783</u>	<u>10,567</u>
Cash and investment balances, ending	<u>\$ 8,013</u>	<u>\$ 2,800</u>	<u>\$ 10,813</u>

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2013

	Governmental Activities 2013	Business Type Activities 2013	Total 2013
Receipts:			
Program receipts:			
Charges for service	\$ 503	\$ 1,991	\$ 2,494
Operating grants, contributions and restricted interest	1,493	213	1,706
Capital grants, contributions and restricted interest	158	44	202
General receipts:			
Property taxes	4,360	-	4,360
Other taxes	1,769	-	1,769
Investment earnings	71	2	73
Other general receipts	844	35	879
Total receipts	<u>9,198</u>	<u>2,285</u>	<u>11,483</u>
Disbursements:			
Public safety	2,659	-	2,659
Public works	1,307	-	1,307
Culture and recreation	949	-	949
Community and economic development	1,135	-	1,135
General government	818	-	818
Debt service	931	-	931
Capital projects	1,856	-	1,856
Sewer	-	1,394	1,394
Airport	-	195	195
Edmundson Golf Course	-	18	18
Storm water	-	164	164
Total disbursements	<u>9,655</u>	<u>1,771</u>	<u>11,426</u>
Change in cash and investment balances before transfers	(457)	514	57
Transfers, net	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash and investment balances	(457)	514	57
Cash and investment balances, beginning	<u>8,241</u>	<u>2,269</u>	<u>10,510</u>
Cash and investment balances, ending	<u>\$ 7,784</u>	<u>\$ 2,783</u>	<u>\$ 10,567</u>

The City increased the total property tax rates in 2014 by less than 0.1 percent. The City's tax receipts from the tax levy increased by approximately \$96,000 in 2014. The increase was due to an increase in the total property valuations and a slight increase in property tax rates.

The City decreased the total property tax rates in 2013 by 6.5 percent. The City's tax receipts from the tax levy decreased by approximately \$164,000 in 2013. The decrease was due to a decrease in the property tax rates.

Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
General government	\$ 900,223	\$ 490,533	\$ 818,449	\$ 564,745
Public safety	2,802,950	2,570,420	2,658,729	2,430,121
Public works	1,287,715	129,614	1,306,893	200,652
Culture and recreation	1,033,721	839,931	948,790	763,767
Community and economic development	1,162,314	994,804	1,134,671	934,575
Debt service	935,563	913,988	931,393	909,165
Capital projects	1,250,104	1,184,660	1,856,414	1,698,633
Total	<u>\$ 9,372,590</u>	<u>\$ 7,123,950</u>	<u>\$ 9,655,339</u>	<u>\$ 7,501,658</u>

Net cost of services is 76% and 78% of total cost of services in 2014 and 2013, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Business type activities - Business type activities increased the City of Oskaloosa's cash and investments by \$17,102. Key elements of this increase are as follows:

- Total business type activities' receipts for the fiscal year were approximately \$2.72 million compared to \$2.29 million for 2013. For 2014, all but approximately \$476,800 of this revenue was generated for specific business type activity expenses. This increase was due primarily to funds received from the State of Iowa for reimbursements on a sewer connection.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. On the following page are the major reasons for the changes in cash and investment balances from the prior year for the City's major funds.

Individual Major Governmental Fund Analysis

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash and investment balance of the General Fund was \$3,935,820, an increase of \$471,219 from the prior year. This increase was primarily due to increased court fines and local option sales tax reimbursements received.
- The Special Revenue Road Use Tax Fund cash and investment balance increased by \$23,171 to \$664,131 during the fiscal year. This Fund's receipts increased due to the increased amounts received from the State of Iowa.
- The Special Revenue Library Maintenance Fund was established by the Local Option Sales and Service Tax

Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended unless otherwise authorized by the City Council. At the end of the fiscal year, the cash and investment balance was \$1,179,519, an increase of \$10,161 due to increased interest received.

- The Special Revenue, Local Option Sales and Service Tax Revenue Funds are disbursed entirely each year and therefore had no cash and investment balance in the current or prior year.
- The Debt Service Fund had a decrease of \$53,669 for an ending cash and investment balance of \$138,037. The decrease was due to decreased payments on debt.
- The Special Revenue, Employee Benefits Fund had an increase of \$22,161 for an ending cash and investment balance of \$150,679. This increase was due to increased property tax receipts.
- The Capital Projects Funds had a decrease of \$339,172 for an ending cash and investment balance of \$86,091 due to work on various pavement management projects.

Individual Major Business Type Fund Analysis

- The cash and investment balance of the Enterprise, Sewer Fund decreased \$115,622 to \$1,715,534, due primarily to increased capital project costs.
- The Enterprise, Storm Water Fund recorded an increase of \$108,795 to \$685,604. The increase is due to decreased expenditures for operating and capital project costs.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment resulted in an increase in operating disbursements related to various projects. The City had sufficient cash and investment balances and revenue to cover the budget amendment.

The City's receipts were \$244,391 more than budgeted. This was primarily due to the City receiving more in miscellaneous receipts than anticipated even after the amendments.

Total disbursements for the primary government were \$1,436,533 less than the amended budget. Actual disbursements for the capital projects, culture and recreation and business type activities functions were \$277,565, \$189,251 and \$471,395, respectively, less than the amended budget. This was primarily due to the City's capital projects not proceeding as anticipated, and disbursements for sanitary sewer systems and structures running less than were budgeted.

DEBT ADMINISTRATION

At year-end, the City had \$6,172,000 in bonds and other long-term debt compared to \$7,374,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)

	2014	2013
General obligation bonds	\$ 865	\$ 1,055
General obligation notes	2,420	3,020
Revenue bonds and other notes	2,887	3,299
Total	<u>\$ 6,172</u>	<u>\$ 7,374</u>

Debt decreased as a result of scheduled bond payments.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,285,000 is well below the City's \$25.3 million debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County as of June, 2014 stood at 4.2 percent versus 4.9 percent in 2013. This compares with the state's unemployment rate of 4.6 percent.

These indicators were taken into account when adopting the budget for 2015. Budgeted intergovernmental revenues are expected to increase approximately \$381,000 and capital project disbursements are expected to increase approximately \$3,738,000. If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$2,052,000 by the close of 2015.

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Amy Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

Basic Financial Statements

CITY OF OSKALOOSA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:	Disbursements			
Governmental activities:				
Public safety	\$ 2,802,950	\$ 71,606	\$ 160,924	\$ -
Public works	1,287,715	2,287	1,155,814	-
Culture and recreation	1,033,721	84,995	108,795	-
Community and economic development	1,162,314	69,913	97,597	-
General government	900,223	400,776	8,914	-
Debt service	935,563	21,575	-	-
Capital projects	1,250,104	-	-	65,444
Total governmental activities	9,372,590	651,152	1,532,044	65,444
Business type activities:				
Sewer	2,232,555	1,789,642	318,873	-
Storm water	121,199	229,134	-	-
Other	347,504	1,070	218,798	137,033
Total business type activities	2,701,258	2,019,846	537,671	137,033
Total	\$12,073,848	\$2,670,998	\$2,069,715	\$202,477
General receipts and transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
Sale of capital assets				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (2,570,420)	\$ -	\$ (2,570,420)
(129,614)	-	(129,614)
(839,931)	-	(839,931)
(994,804)	-	(994,804)
(490,533)	-	(490,533)
(913,988)	-	(913,988)
(1,184,660)	-	(1,184,660)
(7,123,950)	-	(7,123,50)
	(124,040)	(124,040)
-	107,935	107,935
-	9,397	9,397
-	(6,708)	(6,708)
(7,123,950)	(6,708)	(7,130,658)
3,792,194	-	3,792,194
715,882	-	715,882
121,528	-	121,528
1,016,984	-	1,016,984
668,622	-	668,622
70,709	3,173	73,882
961,946	20,637	982,583
5,212	-	5,212
7,353,077	23,810	7,376,887
229,127	17,102	246,229
7,784,056	2,782,705	10,566,761
\$ 8,013,183	\$ 2,799,807	\$10,812,990
\$ 664,132	\$ -	\$ 664,132
1,176	-	1,176
138,039	-	138,039
2,332,971	85,133	2,418,104
4,876,865	2,714,674	7,591,539
\$ 8,013,183	\$2,799,807	\$10,812,990

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Governmental Funds

As of and for the year ended June 30, 2014

		Special	
	General	Road Use Tax	Library Maintenance
Receipts:			
Property tax	\$2,743,532	\$ -	\$ -
Tax increment financing	-	-	-
Other City tax	84,272	-	-
Licenses and permits	660,195	-	-
Use of money and property	9,226	-	46,587
Intergovernmental	219,809	1,150,814	-
Charges for service	125,754	-	-
Special assessments	-	-	-
Miscellaneous	1,088,200	-	-
Total receipts	4,930,988	1,150,814	46,587
Disbursements:			
Operating:			
Public safety	2,779,863	-	-
Public works	152,576	1,127,643	-
Culture and recreation	865,943	-	36,426
Community and economic development	32,214	-	-
General government	848,320	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	4,678,916	1,127,643	36,426
Excess (deficiency) of receipts over (under) disbursements	252,072	23,171	10,161
Other financing sources (uses):			
Sale of capital assets	1,924	-	-
Operating transfers in	1,061,790	-	-
Operating transfers out	(844,567)	-	-
Total other financing sources (uses)	219,147	-	-
Net change in cash and investment balances	471,219	23,171	10,161
Cash and investment balances beginning of year	3,464,601	640,960	1,169,358
Cash and investment balances end of year	\$3,935,820	\$ 664,131	\$ 1,179,519
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Streets	-	664,131	-
Capital projects	-	-	-
Other purposes	-	-	1,179,519
Unassigned	3,935,820	-	-
Total cash basis fund balances	\$3,935,820	\$ 664,131	\$ 1,179,519

See notes to financial statements.

Revenue					
Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$1,022,794	\$ 715,882	\$ -	\$ 25,869	\$ 4,508,077
-	-	-	-	121,528	121,528
1,016,984	31,470	21,772	-	94,731	1,249,229
-	-	-	-	-	660,195
-	366	833	3,568	14,256	74,836
-	-	-	-	6,826	1,377,449
-	-	-	-	6,811	132,565
-	-	21,575	384	-	21,959
-	-	-	61,492	152,821	1,302,513
1,016,984	1,054,630	760,062	65,444	422,842	9,448,351
-	-	-	-	23,087	2,802,950
-	-	-	-	-	1,280,219
-	-	-	-	131,352	1,033,721
1,016,984	-	-	-	113,116	1,162,314
-	-	-	-	-	848,320
-	-	935,563	-	-	935,563
-	-	-	1,250,104	-	1,250,104
1,016,984	-	935,563	1,250,104	267,555	9,313,191
-	1,054,630	(175,501)	(1,184,660)	155,287	135,160
-	-	-	1,609	1,679	5,212
-	-	121,832	843,879	687	2,028,188
-	(1,032,469)	-	-	(151,152)	(2,028,188)
-	(1,032,469)	121,832	845,488	(148,786)	5,212
-	22,161	(53,669)	(339,172)	6,501	140,372
-	128,518	191,706	425,263	911,359	6,931,765
\$ -	\$ 150,679	\$ 138,037	\$ 86,091	\$ 917,860	\$ 7,072,137
\$ -	\$ -	\$ -	\$ -	\$ 1,177	\$ 1,177
-	-	138,037	-	-	138,037
-	-	-	-	-	664,131
-	-	-	86,091	-	86,091
-	150,679	-	-	916,683	2,246,881
-	-	-	-	-	3,935,820
\$ -	\$ 150,679	\$ 138,037	\$ 86,091	\$ 917,860	\$ 7,072,137

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash and Investment Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash and investment balances (pages 18-19) \$ 7,072,137

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. A portion of the cash and investment balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position

941,046

Cash basis net position of governmental activities (pages 16-17) \$8,013,183

Change in cash and investment balances (pages 18-19) \$ 140,372

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

88,755

Change in cash basis net position of governmental activities (pages 16-17) \$ 229,127

See notes to financial statements.

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise				Internal Service
	Sewer	Storm Water	Nonmajor	Total	
Operating receipts:					
Charges for service	\$ 1,780,454	\$ 229,134	\$ 1,070	\$ 2,010,658	\$ 687,393
Use of money and property	2,948	-	218,798	221,746	1,310
Special assessments	9,188	-	-	9,188	-
Miscellaneous	-	-	-	-	178,032
Total operating receipts	1,792,590	229,134	219,868	2,241,592	866,735
Operating disbursements:					
Business type activities	918,732	56,155	202,134	1,177,021	-
Non program	-	-	-	-	785,533
Total operating disbursements	918,732	56,155	202,134	1,177,021	785,533
Excess of operating receipts over operating disbursements	873,858	172,979	17,734	1,064,571	81,202
Non-operating receipts (disbursements):					
Intergovernmental	315,925	-	137,033	452,958	-
Interest on investments	-	860	2,313	3,173	-
Miscellaneous	865	-	19,772	20,637	-
Capital projects	(829,890)	(65,044)	(145,370)	(1,040,304)	-
Debt service	(476,380)	-	-	(476,380)	-
Net non-operating receipts (disbursements)	(989,480)	(64,184)	13,748	(1,039,916)	-
Excess (deficiency) of receipts over (under) disbursements	(115,622)	108,795	31,482	24,655	81,202
Other financing sources (uses)					
Operating transfers	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Change in cash and investment balances	(115,622)	108,795	31,482	24,655	81,202
Cash and investment balances beginning of year	1,831,156	576,809	360,662	2,768,627	866,367
Cash and investment balances end of year	\$ 1,715,534	\$ 685,604	\$ 392,144	\$ 2,793,282	\$ 947,569
Cash Basis Fund Balances					
Restricted	\$ 85,415	\$ -	\$ -	\$ 85,415	\$ -
Unrestricted	1,630,119	685,604	392,144	2,707,867	947,569
Total cash basis fund balances	\$ 1,715,534	\$ 685,604	\$ 392,144	\$ 2,793,282	\$ 947,569

See notes to financial statements.

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances to the Cash Basis Statement of Activities and Net Position
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash and investment balances (page 21) \$ 2,793,282

*Amounts reported for business type activities in the Cash Basis Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. A portion of the cash and investment balance of the Internal Service Fund is included in the business type activities in the Cash Basis Statement of Activities and Net Position.

6,525

Cash basis net position of business type activities (page 16-17) \$ 2,799,807

Change in cash and investment balances (page 21) \$ 24,655

*Amounts reported for business type activities in the Cash Basis Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(7,553)

Change in cash basis net position of business type activities (page 16-17) \$ 17,102

See notes to financial statements.

CITY OF OSKALOOSA

Notes to Financial Statements

June 30, 2014

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of operations:

The City of Oskaloosa, Iowa (City), is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to residents including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides an airport, golf course, sewer and storm water services.

B. Reporting entity:

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component unit of the City. The entity discussed below is a component unit of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component unit, which issues separate audited financial statements, can be obtained from their respective administrative office.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the residents of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Emergency 911 Board, Oskaloosa Area Chamber & Development Group, Mahaska Community Recreation Foundation, Joint County - Mahaska Disaster Services & Emergency Planning Administration, Joint Law Enforcement Center Board and Mahaska County Agency on Aging.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation:

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash and investment balances and the use of cash and investment balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash and investment balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash and investment balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor government funds.

The City reports the following major governmental funds:

The General Fund is the government's general operating fund. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds. The Council has adopted a policy to maintain a minimum of three months of General Fund budgeted expenditures and transfers for the Fund.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation - continued:

Special Revenue:

The Road Use Tax Fund is utilized to account for the road use tax allocation from the state of Iowa, to be used for road construction and maintenance.

The Library Maintenance Fund was established with Local Option Sales and Service Tax. The fund is used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

The Local Option Sales and Service Tax Revenue Fund is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

The Employee Benefits Fund is utilized to account for tax receipts expended for employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest, principal and fees on the City's general long-term debt.

The Capital Projects Fund, is used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Sanitary Sewer Fund is used to account for operations of providing sanitary sewer services.

The Enterprise, Storm Water Fund is used to account for operations of providing storm water sewer services.

The City also reports the following additional proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies of the City on a cost-reimbursement basis.

D. Significant accounting policies:

The City of Oskaloosa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Significant accounting policies - continued:

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Property Taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2014, attached as an enforceable lien on July 1, 2013, with the first half installment being delinquent after September 30, 2013 and the second half installment being delinquent after March 31, 2014.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a-7 like pool established under the Investment Company Act of 1940 and other debt securities. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Significant accounting policies - continued:

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

(2) BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities.

Appropriations as adopted or amended lapse at the end of the fiscal year.

(3) DEPOSITS AND INVESTMENTS

The City's deposit and investment accounts as of June 30, 2014 consist of the following:

Deposit and Investment Type	Investment Maturities (in years)				
	Cost	Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 530	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	7,391,076	-	-	-	-
Debt securities	1,439,311	-	-	318,635	1,120,676
Iowa Public Agency Investment Trust	1,982,073	-	-	-	-
Total	<u>\$10,812,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,635</u>	<u>\$1,120,676</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(3) DEPOSITS AND INVESTMENTS - CONTINUED

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

As of June 30, 2014, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's	Cost	Fair Value
FHLB	Aaa	AA+	\$ 284,654	\$ 317,643
FNMA	Aaa	AA+	162,350	158,537
FHLMC	Aaa	AA+	282,477	278,946
FFCB	Aaa	AA+	397,107	410,895
TVA	Aaa	AA+	312,723	332,461
			<u>\$ 1,439,311</u>	<u>\$ 1,498,482</u>

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FNMA, FHLB, FHLMC, FFCB and TVA. These investments are 58 percent, 5 percent, 8 percent, 8 percent, 12 percent and 9 percent, respectively, of the City's \$3,421,384 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2014, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(3) DEPOSITS AND INVESTMENTS - CONTINUED

in a single financial institution if it were to default. Chapter 12C of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2014, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

(4) LONG-TERM DEBT

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2014:

	Balance June 30, 2013	Issued	Redeemed	Balance June 30, 2014
Governmental Activities				
General obligation bonds	\$ 1,055,000	\$ -	\$ 190,000	\$ 865,000
General obligation notes	3,020,000	-	600,000	2,420,000
	<u>\$ 4,075,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$3,285,000</u>
Business Type Activities				
Revenue bonds and other notes	<u>\$ 3,299,000</u>	<u>\$ -</u>	<u>\$ 412,000</u>	<u>\$2,887,000</u>

Interest rates range from 1.75% to 4.0% on bonds and notes. The City paid \$201,295 in interest on debt obligations for the year ended June 30, 2014.

On June 30, 2014, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 505,966,298</u>
Debt limit - 5% of total valuation		\$ 25,298,315
Debt applicable to debt limit:		
General obligation bonds	\$ 865,000	
General obligation notes	<u>2,420,000</u>	<u>3,285,000</u>
Legal debt margin		<u>\$ 22,013,315</u>

A summary of the City's June 30, 2014 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(4) LONG-TERM DEBT - CONTINUED

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes	
	Principal	Interest	Principal	Interest
2015	\$ 205,000	\$ 33,108	\$ 535,000	\$ 87,363
2016	210,000	25,420	220,000	72,253
2017	220,000	17,440	210,000	64,552
2018	230,000	8,970	215,000	56,993
2019	-	-	225,000	49,037
2020-2024	-	-	1,015,000	103,800
2025-2029	-	-	-	-
Total	<u>\$ 865,000</u>	<u>\$ 84,938</u>	<u>\$2,420,000</u>	<u>\$ 433,998</u>

Year Ending June 30,	Total General Revenue Bonds		Total Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 201,000	\$ 40,320	\$225,000	\$10,203	\$1,166,000	\$170,994
2016	207,000	36,803	177,000	6,265	814,000	140,741
2017	213,000	33,180	181,000	3,168	824,000	118,340
2018	220,000	29,453	-	-	665,000	95,415
2019	226,000	25,602	-	-	451,000	74,640
2020-2024	1,237,000	66,220	-	-	2,252,000	170,020
Total	<u>\$2,304,000</u>	<u>\$231,578</u>	<u>\$583,000</u>	<u>\$19,636</u>	<u>\$6,172,000</u>	<u>\$770,150</u>

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system. As of June 30, 2014, \$85,415 of cash and investments is in the improvement account.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(4) LONG-TERM DEBT - CONTINUED

D. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.

E. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

The Iowa Finance Authority loaned the City \$1,515,000 on March 31, 1994; \$2,671,000 on February 16, 1996; and \$4,017,000 on December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2014 primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 125,000
Sick leave	643,000
Comp time	<u>29,000</u>
Total	<u>\$ 797,000</u>

The liability has been computed based on rates of pay in effect at June 30, 2014.

Sick leave is payable for fire and police union employees when used or upon full service retirement or death. Other union employees are payable upon retirement, 20 years of full time employment or death. Nonunion employees are payable upon twenty years of service or death. If paid upon retirement or death, half or one-quarter of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable would be approximately \$303,000 as of June 30, 2014.

(5) PENSION AND RETIREMENT SYSTEMS

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(5) PENSION AND RETIREMENT SYSTEMS - CONTINUED

IPERS:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular Plan members are required to contribute 5.95 percent of their annual covered salary and the City is required to contribute 8.93 percent of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$122,553, \$115,023 and \$115,312, respectively, which meet the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa:

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Moines, Iowa 50266.

Plan members are required to contribute 9.40 percent of earnable compensation and the City's contribution rate, based on an actuarially determined contribution rate, is 30.12 percent of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2014, 2013, and 2012 were \$375,328, \$325,370, and \$290,764, respectively, which met the required contribution for each year.

(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in the internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual, excluding listed exceptions, in a twelve-month period is \$40,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$2,000,000 per lifetime.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN - CONTINUED

As of June 30, 2014, the Plan held \$937,651 in cash and investments. The estimate of the claims liability was \$109,000 for June 30, 2014 and \$102,000 for June 30, 2013, and includes claims reported but not settled and those incurred but not reported. Claim payments, net of Stop-loss reimbursements as of June 30, 2014 and 2013 were \$416,456 and \$412,345, respectively.

The City of Oskaloosa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefits	\$ 1,032,469
	Emergency	26,651
	Housing	2,625
	Fire department FEMA grant	45
		<u>1,061,790</u>
Special Revenue	General Fund	
Miscellaneous Grant Funds		<u>687</u>
Debt Service	Special Revenue	
	Tax Increment Financing	<u>121,832</u>
Capital Projects	General Fund	<u>843,879</u>
Total		<u>\$ 2,028,188</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(8) POST-EMPLOYMENT BENEFITS

Employees who resign or their employment is terminated (for reasons other than gross misconduct on their part), or if work hours are reduced, and consequently the employee's dependents are no longer eligible to participate in the group health insurance are offered the following post-employment benefit option:

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(8) POST-EMPLOYMENT BENEFITS - CONTINUED

Health insurance - The option of continuing with the City's health insurance plan at the employee's own cost for up to eighteen months. If the employee is determined to be disabled under the Social Security Act at the time of their termination or reduction in hours, they may be entitled to continuation coverage for up to twenty-nine months.

There are 55 active, 1 COBRA and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self funded plan with stop loss coverage through HCC Life Insurance Company. Retirees under age 65 pay the similar premiums for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go-basis. The most recent active member monthly premiums for the City and plan members are \$483 for single coverage and \$1,162 for family coverage per month. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$663,488 to the plan.

The City has entered into an agreement with the City Manager which formally identifies the financial obligation of the City to them in the event of an involuntary employment termination. The severance agreement provides for a termination payment equal to nine months of wages plus nine months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employee at the time of termination.

(9) COMMITMENTS

A. The City has several construction commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2014 is approximately \$281,500, which will be paid as work on the projects progress.

B. An agreement was entered into by the City and Forest Cemetery Association to commit City funding for the upkeep and maintenance of Forest Cemetery. The City provided a contribution of \$50,000 to be used by the cemetery for the project during the year ended June 30, 2014. The City has agreed to make another \$50,000 contribution during the year ending June 30, 2015. In addition the City has agreed to provide snow removal services from September 1, 2014 to May 31, 2015.

(10) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$183 during the year ended June 30, 2014.

(11) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 6, 2014, the date the financial statements were available to be issued.

The City has entered into construction contracts of approximately \$696,000 for various capital projects.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2014

(12) PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Oskaloosa

Other Information

CITY OF OSKALOOSA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Enterprise Funds Other Information Year ended June 30, 2014

	Governmental Funds Actual	Enterprise Funds Actual	Total	Original
Receipts:				
Property tax	\$ 4,508,077	\$ -	\$ 4,508,077	\$ 4,500,149
Tax increment financing collections	121,528	-	121,528	121,207
Other City tax	1,249,229	-	1,249,229	1,256,927
Licenses and permits	660,195	-	660,195	619,774
Uses of money and property	74,836	224,919	299,755	320,193
Intergovernmental	1,377,449	452,958	1,830,407	1,859,574
Charges for service	132,565	2,010,658	2,143,223	4,241,633
Special assessments	21,959	9,188	31,147	-
Miscellaneous	1,302,513	20,637	1,323,150	1,022,472
Total receipts	9,448,351	2,718,360	12,166,711	13,941,929
Disbursements:				
Public safety	2,802,950	-	2,802,950	3,045,310
Public works	1,280,219	-	1,280,219	1,394,141
Culture and recreation	1,033,721	-	1,033,721	1,098,045
Community and economic development	1,162,314	-	1,162,314	1,185,180
General government	848,320	-	848,320	1,050,065
Debt service	935,563	-	935,563	935,564
Capital projects	1,250,104	-	1,250,104	1,588,862
Business type activities	-	2,693,705	2,693,705	5,169,006
Total disbursements	9,313,191	2,693,705	12,006,896	15,466,173
Excess (deficiency) of receipts over (under) disbursements	135,160	24,655	159,815	(1,524,244)
Other financing sources, net	5,212	-	5,212	2,000
Excess (deficiency) of receipts over (under) disbursements and other financing uses	140,372	24,655	165,027	(1,522,244)
Balances beginning of year	6,931,765	2,768,627	9,700,392	8,940,465
Balances end of year	\$ 7,072,137	\$ 2,793,282	\$ 9,865,419	\$ 7,418,221

See accompanying independent auditor's report.

Budgeted Amounts			Final to Actual Variance- Positive (Negative)
Final	Adjustment (1) See Page 38	Adjusted Final	
\$ 4,500,149	\$ -	\$ 4,500,149	\$ 7,928
121,206	-	121,206	322
1,269,502	-	1,269,502	(20,273)
618,674	-	618,674	41,521
315,771	(26,660)	289,111	10,644
1,781,162	-	1,781,162	49,245
4,172,033	(2,051,204)	2,120,829	22,394
19,125	-	19,125	12,022
1,260,662	(58,100)	1,202,562	120,588
14,058,284	(2,135,964)	11,922,320	244,391
2,938,541	-	2,938,541	135,591
1,423,376	-	1,423,376	143,157
1,222,972	-	1,222,972	189,251
1,219,793	-	1,219,793	57,479
1,010,414	-	1,010,414	162,094
935,564	-	935,564	1
1,527,669	-	1,527,669	277,565
5,680,358	(2,515,258)	3,165,100	471,395
15,958,687	(2,515,258)	13,443,429	1,436,533
(1,900,403)	379,294	(1,521,109)	1,680,924
83,213	-	83,213	(78,001)
(1,817,190)	379,294	(1,437,896)	1,602,923
11,322,911	-	11,322,911	(1,622,519)
\$ 9,505,721	\$ 379,294	\$ 9,885,015	\$ (19,596)

CITY OF OSKALOOSA

Other Information

Notes To Other Information - Budgetary Reporting

June 30, 2014

The budgetary comparison schedule is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$492,514. The budget amendment is reflected in the final budget amount.

- (1) Budgeted items for the component unit of the Waterworks utility are removed because related actual receipts and disbursements are not included, see Note 1.

Supplementary Information

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Hotel Motel Tax	Emergency	Urban Renewal Tax Increment	Special Housing Donated Funds
Receipts:				
Property tax	\$ -	\$ 25,869	\$ -	\$ -
Tax increment financing	-	-	121,528	-
Other City tax	93,949	782	-	-
Use of money and property	-	-	98	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	93,949	26,651	121,626	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	93,949	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total disbursements	93,949	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	26,651	121,626	-
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	(26,651)	(121,831)	-
Total other financing sources (uses)	-	(26,651)	(121,831)	-
Net change in cash and investment balances	-	-	(205)	-
Cash and investment balances beginning of year	-	-	1,382	34,740
Cash and investment balances end of year	\$ -	\$ -	\$ 1,177	\$ 34,740
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ 1,177	\$ -
Restricted for other purposes	-	-	-	34,740
Unassigned	-	-	-	-
Total cash basis fund balances	\$ -	\$ -	\$ 1,177	\$ 34,740

See accompanying independent auditor's report.

Revenue						
Housing Fund	Grant & Lincoln School Dev	Riefe Memorial Fund	Public Library Memorial	Miscellaneous Gifts	Wooden Playground Maintenance	Police Forfeiture
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
494	-	58	13,523	37	7	7
-	-	-	-	-	-	-
2,863	-	-	424	-	-	3,524
81,381	-	-	44,186	1,837	-	-
84,738	-	58	58,133	1,874	7	3,531
-	-	-	-	4,887	-	9,267
-	-	5,928	29,886	140	1,449	-
96,900	-	-	-	-	-	-
-	-	-	-	-	-	-
96,900	-	5,928	29,886	5,027	1,449	9,267
(12,162)	-	(5,870)	28,247	(3,153)	(1,442)	(5,736)
-	-	-	1,679	-	-	-
-	-	-	-	-	-	-
(2,625)	-	-	-	-	-	-
(2,625)	-	-	1,679	-	-	-
(14,787)	-	(5,870)	29,926	(3,153)	(1,442)	(5,736)
233,362	21,328	33,775	504,848	36,115	4,719	10,211
\$ 218,575	\$ 21,328	\$ 27,905	\$ 534,774	\$ 32,962	\$ 3,277	\$ 4,475
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
218,575	21,328	27,905	534,774	32,962	3,277	4,475
-	-	-	-	-	-	-
\$ 218,575	\$ 21,328	\$ 27,905	\$ 534,774	\$ 32,962	\$ 3,277	\$ 4,475

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances
Nonmajor Governmental Funds - Continued

As of and for the year ended June 30, 2014

	Special Revenue			Total
	Fire Dept. FEMA Grant	Miscellaneous Grants	WFP Rise Payment	
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ 25,869
Tax increment financing	-	-	-	121,528
Other City tax	-	-	-	94,731
Use of money and property	-	32	-	14,256
Intergovernmental	45	6,781	-	6,826
Charges for services	-	-	-	6,811
Miscellaneous	-	9,201	16,216	152,821
Total receipts	45	16,014	16,216	422,842
Disbursements:				
Operating:				
Public safety	-	8,933	-	23,087
Culture and recreation	-	-	-	131,352
Community and economic development	-	-	16,216	113,116
General government	-	-	-	-
Total disbursements	-	8,933	16,216	267,555
Excess (deficiency) of receipts over (under) disbursements	45	7,081	-	155,287
Other financing sources (uses):				
Sale of capital assets	-	-	-	1,679
Operating transfers in	-	687	-	687
Operating transfers out	(45)	-	-	(151,152)
Total other financing sources (uses)	(45)	687	-	(148,786)
Net change in cash balances	-	7,768	-	6,501
Cash and investment balances beginning of year	-	14,663	16,216	911,359
Cash and investment balances end of year	\$ -	\$ 22,431	\$ 16,216	\$ 917,860
Cash Basis Fund Balances				
Restricted for:				
Urban renewal	\$ -	\$ -	\$ -	\$ 1,177
Other purposes	-	22,431	16,216	916,683
Total cash basis fund balances	\$ -	\$ 22,431	\$ 16,216	\$ 917,860

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes
in Cash and Investment Balances
Nonmajor Enterprise Funds

As of and for the year ended June 30, 2014

	Airport	Edmundson Golf Course	RACI Main Street Loans	Total
Operating receipts:				
Charges for service	\$ 1,070	\$ -	\$ -	\$ 1,070
Use of money and property	209,998	8,800	-	218,798
Total operating receipts	211,068	8,800	-	219,868
Operating disbursements:				
Business type activities	195,727	6,407	-	202,134
Total operating disbursements	195,727	6,407	-	202,134
Excess of operating receipts over operating disbursements	15,341	2,393	-	17,734
Non-operating receipts (disbursements):				
Intergovernmental	137,033	-	-	137,033
Interest on investments	1,887	124	302	2,313
Miscellaneous	18,686	215	871	19,772
Capital projects	(139,770)	(5,600)	-	(145,370)
Net non-operating receipts (disbursements)	17,836	(5,261)	1,173	13,748
Excess (deficiency) of receipts over (under) disbursements	33,177	(2,868)	1,173	31,482
Other financing (uses):				
Operating transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash and investment balances	33,177	(2,868)	1,173	31,482
Cash and investment balances beginning of year	278,421	65,999	16,242	360,662
Cash and investment balances end of year	\$ 311,598	\$ 63,131	\$ 17,415	\$ 392,144
Cash Basis Fund Balances				
Restricted	\$ 311,598	\$ 63,131	\$ 17,415	\$ 392,144
Total cash basis fund balances	\$ 311,598	\$ 63,131	\$ 17,415	\$ 392,144

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Internal Service Funds

As of and for the year ended June 30, 2014

	Copier/Fax Revolving	Health Insurance	Flex Benefit Plan	Total
Receipts:				
Use of money and property	\$ 3	\$ 1,305	\$ 2	\$ 1,310
Charges for services:				
Premiums	-	677,798	-	677,798
Copier and fax services	8,947	-	-	8,947
Miscellaneous	-	-	648	648
Miscellaneous:				
Sale of supplies	177	-	-	177
Flex elections	-	-	44,180	44,180
Refunds/reimbursements	-	133,675	-	133,675
Total receipts	9,127	812,778	44,830	866,735
Disbursements:				
Nonprogram:				
Contractual and contractual services	-	734,276	47,093	781,369
Commodities	4,164	-	-	4,164
Total disbursements	4,164	734,276	47,093	785,533
Excess of operating receipts over operating disbursements	4,963	78,502	(2,263)	81,202
Other financing sources				
Operating transfers	-	-	-	-
Net change in cash and investment balances	4,963	78,502	(2,263)	81,202
Cash and investment balances beginning of year	723	859,149	6,495	866,367
Cash and investment balances end of year: unrestricted	\$ 5,686	\$ 937,651	\$ 4,232	\$ 947,569

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances
Capital Projects Fund

As of and for the year ended June 30, 2014

	Park Shelter Cap Improvement	City Hall Window Project	Pavement Management	Sidewalk Improvement Project	Parking Lot Improvements Phase II	Total
Receipts:						
Use of money and property	\$ 3,425	\$ 25	\$ 49	\$ 22	\$ 47	\$ 3,568
Special assessments	-	-	-	384	-	384
Miscellaneous	-	-	61,492	-	-	61,492
Total receipts	<u>3,425</u>	<u>25</u>	<u>61,541</u>	<u>406</u>	<u>47</u>	<u>65,444</u>
Disbursements	<u>688</u>	<u>96</u>	<u>1,115,803</u>	<u>-</u>	<u>133,517</u>	<u>1,250,104</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,737</u>	<u>(71)</u>	<u>(1,054,262)</u>	<u>406</u>	<u>(133,470)</u>	<u>(1,184,660)</u>
Other financing sources (uses):						
Sale of capital assets	-	1,609	-	-	-	1,609
Operating transfers in	-	-	811,759	-	32,120	843,879
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,609</u>	<u>811,759</u>	<u>-</u>	<u>32,120</u>	<u>845,488</u>
Net change in cash and investment balances	<u>2,737</u>	<u>1,538</u>	<u>(242,503)</u>	<u>406</u>	<u>(101,350)</u>	<u>(339,172)</u>
Cash and investment balances beginning of year	<u>13,806</u>	<u>11,801</u>	<u>242,503</u>	<u>13,128</u>	<u>144,025</u>	<u>425,263</u>
Cash and investment balances end of year: restricted	<u>\$ 16,543</u>	<u>\$ 13,339</u>	<u>\$ -</u>	<u>\$ 13,534</u>	<u>\$ 42,675</u>	<u>\$ 86,091</u>

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Ind. Park Street, RR crossings, Downtown Streetscaping	Dec 6, 2006	3.75 - 3.90%	\$ 1,955,000
General Obligation Notes:			
Refunding	Apr 23, 2008	3.30%	\$ 1,065,000
Refunding	Apr 29, 2010	2.00%	1,405,000
Equipment and street construction	May 1, 2008	3.50 - 4.00%	3,000,000
Revenue Bonds and Other Notes:			
Sewer capital loan notes	Mar 31, 1994	1.75%	\$ 1,515,000
Sewer capital loan notes	Feb 16, 1996	1.75%	2,671,000
Sewer revenue bonds	Dec 6, 2002	1.75%	4,017,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,055,000	\$ -	\$ 190,000	\$ 865,000	\$ 40,138	\$ -
\$ 1,055,000	\$ -	\$ 190,000	\$ 865,000	\$ 40,138	\$ -
\$ 235,000	\$ -	\$ 115,000	\$ 120,000	\$ 7,698	\$ -
535,000	-	310,000	225,000	10,700	-
2,250,000	-	175,000	2,075,000	85,027	-
\$ 3,020,000	\$ -	\$ 600,000	\$ 2,420,000	\$ 103,425	\$ -
\$ 103,000	\$ -	\$ 50,000	\$ 53,000	\$ 1,802	\$ -
697,000	-	167,000	530,000	12,198	-
2,499,000	-	195,000	2,304,000	43,732	-
\$ 3,299,000	\$ -	\$ 412,000	\$ 2,887,000	\$ 57,732	\$ -

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds and Notes					
	Refunding		Industrial Park Street		Street, Sewer Improvements	
	General Obligation (Notes)		Railroad Crossings		And Equipment (Notes)	
	Issued April 29, 2010		Downtown Streetscaping		Issued May 1, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	2.00%	\$ 225,000	3.75%	\$ 205,000	3.50%	\$ 190,000
2016	-	-	3.80	210,000	3.50	220,000
2017	-	-	3.85	220,000	3.60	210,000
2018	-	-	3.90	230,000	3.70	215,000
2019	-	-	-	-	3.75	225,000
2020	-	-	-	-	4.00	235,000
2021	-	-	-	-	4.00	250,000
2022	-	-	-	-	4.00	260,000
2023	-	-	-	-	4.00	270,000
Total		<u>\$ 225,000</u>		<u>\$ 865,000</u>		<u>\$ 2,075,000</u>

See accompanying independent auditor's report.

Refunding General Obligation (Notes) Issued April 23, 2008		
Interest Rates	Amount	Total
3.30%	\$ 120,000	\$ 740,000
-	-	430,000
-	-	430,000
-	-	445,000
-	-	225,000
-	-	235,000
-	-	250,000
-	-	260,000
-	-	270,000
	<u>\$ 120,000</u>	<u>\$ 3,285,000</u>

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities - Continued

June 30, 2014

Year Ending June 30,	Revenue Bonds and Notes					
	Sewer Revenue Capital Loan Notes Issued March 31, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Bonds Issued December 6, 2002	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	1.75%	\$ 53,000	1.75%	\$ 172,000	1.75%	\$ 201,000
2016	-	-	1.75	177,000	1.75	207,000
2017	-	-	1.75	181,000	1.75	213,000
2018	-	-	-	-	1.75	220,000
2019	-	-	-	-	1.75	226,000
2020	-	-	-	-	1.75	233,000
2021	-	-	-	-	1.75	240,000
2022	-	-	-	-	1.75	247,000
2023	-	-	-	-	1.75	255,000
2024	-	-	-	-	1.75	262,000
Total		<u>\$ 53,000</u>		<u>\$ 530,000</u>		<u>\$ 2,304,000</u>

See accompanying independent auditor's report.

<u>Total</u>	
\$	426,000
	384,000
	394,000
	220,000
	226,000
	233,000
	240,000
	247,000
	255,000
	<u>262,000</u>
\$	<u>2,887,000</u>

CITY OF OSKALOOSA

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the last ten years

	Years ended June 30,			
	2014	2013	2012	2011
Receipts:				
Property tax	\$ 4,508,077	\$ 4,359,994	\$ 4,514,541	\$ 4,204,759
Other city tax	1,370,757	1,386,348	1,494,539	1,411,707
Licenses and permits	660,195	622,194	454,865	258,480
Use of money and property	74,836	75,718	97,104	92,202
Intergovernmental	1,377,449	1,457,354	2,209,250	1,521,335
Charges for service	132,565	125,891	139,966	135,086
Special assessments	21,959	22,851	15,310	239,502
Miscellaneous	1,302,513	1,092,749	950,376	641,278
Total	<u>\$ 9,448,351</u>	<u>\$ 9,143,099</u>	<u>\$ 9,875,951</u>	<u>\$ 8,504,349</u>
Disbursements:				
Operating:				
Public safety	\$ 2,802,950	\$ 2,658,729	\$ 2,580,508	\$ 2,444,577
Public works	1,280,219	1,318,293	1,176,248	1,098,301
Culture and recreation	1,033,721	948,790	980,969	1,101,895
Community and economic development	1,162,314	1,134,671	1,275,056	1,252,684
General government	848,320	847,130	700,560	597,240
Debt service	935,563	931,393	1,024,485	1,142,933
Capital projects	1,250,104	1,856,415	1,045,957	205,535
Total	<u>\$ 9,313,191</u>	<u>\$ 9,695,421</u>	<u>\$ 8,783,783</u>	<u>\$ 7,843,165</u>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
\$ 4,014,236	\$ 4,093,455	\$ 3,966,087	\$ 3,880,396	\$ 3,953,084	\$ 3,635,079
1,478,999	1,743,709	1,745,001	1,643,292	1,631,480	1,735,966
238,698	258,457	232,545	229,410	226,789	186,466
105,113	223,895	307,762	262,233	201,733	115,941
2,885,296	1,607,090	1,508,153	1,411,324	1,318,346	1,285,278
134,342	142,558	153,814	141,263	99,772	44,514
3,781	7,095	5,285	6,880	4,547	6,080
667,169	581,313	381,549	537,372	550,252	588,255
<u>\$ 9,527,634</u>	<u>\$ 8,657,572</u>	<u>\$ 8,300,196</u>	<u>\$ 8,112,170</u>	<u>\$ 7,986,003</u>	<u>\$ 7,597,579</u>
\$ 2,297,121	\$ 2,357,418	\$ 2,437,104	\$ 2,213,413	\$ 2,187,115	\$ 2,003,707
1,113,867	1,378,116	1,252,542	1,051,131	911,216	939,256
1,144,236	1,109,723	1,010,016	1,020,716	900,014	809,170
1,346,056	1,616,088	1,674,031	1,658,849	1,584,287	1,586,488
640,766	616,803	551,333	540,973	530,248	518,914
2,566,285	1,398,181	2,768,353	1,629,279	1,651,904	1,621,126
2,783,553	1,423,322	1,043,651	479,296	1,499,891	880,326
<u>\$11,891,884</u>	<u>\$ 9,899,651</u>	<u>\$10,737,030</u>	<u>\$ 8,593,657</u>	<u>\$ 9,264,675</u>	<u>\$ 8,358,987</u>

CITY OF OSKALOOSA

Miscellaneous Data (Unaudited)

June 30, 2014

Form of government	Mayor/Council
Area	7.9892 square miles
Building permits, fiscal year ending June 30, 2014	
Permits issued	120
Estimated costs	\$5,186,599
Fire protection:	
Number of stations	1
Number of full-time fire fighters	8
Police protection:	
Number of stations	1
Number of full-time officers	16
Recreation:	
Number of parks	5
Number of acres	171
Number of swimming pools	1
Employees of City as of June 30, 2014	178
Schools:	
Public	3
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938
2010	11,463



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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 6, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the primary government of the City of Oskaloosa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the primary government of the City of Oskaloosa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the primary government of the City of Oskaloosa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the primary government of the City of Oskaloosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the primary government of the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Oskaloosa's Responses to Findings

The primary government of the City of Oskaloosa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the primary government of the City of Oskaloosa's responses, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oskaloosa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 6, 2014

CITY OF OSKALOOSA

Schedule of Findings

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements of the primary government of the City, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting is disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

II-A-14 Segregation of Duties - A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The three employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. However, when one of the employees is out of office the City is unable to maintain the adequate segregation of duties. As a result, the City has an inadequate segregation of duties over cash receipts.

Recommendation - We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response - This recommendation is accepted. The City will look to realign and reassign duties where practical.

Conclusion - Response accepted.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2014

Part III Other Findings Related to Required Statutory Reporting:

III-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed amounts budgeted.

III-B-14 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

III-D-14 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross
Gladys Genskow	pool manager	Gensko Distributions	concession supplies	\$ 183

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$1,500.

III-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.

III-G-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-14 Revenue Bonds - The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting - Continued:

- III-I-14 Payment of General Obligation Bonds - General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.
- III-J-14 Economic Development - We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.
- III-K-14 Notice of Public Hearing for Public Improvements - We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.
- III-L-14 Sales Tax - We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- III-M-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.